

Fairfax County Economic Index

Volume II, Number 7

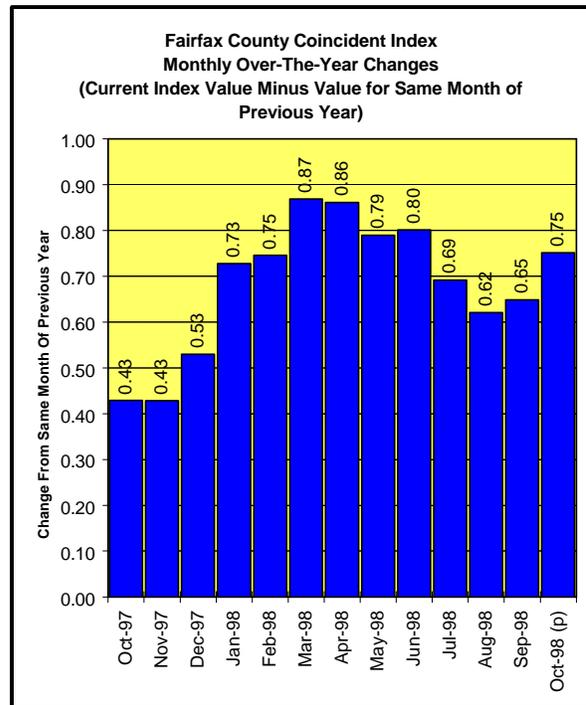
DECEMBER 1998

October Economic Performance Mixed Outlook is for Slower Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, was 103.99 in October, down 0.02 percent from September. This was only the Index's second decline in 1998. For the year, the Index has increased 0.61 percent through ten months, exceeding its gain for the same period in 1997. This Index's slight decline in October reflected decreases in two of its four components.

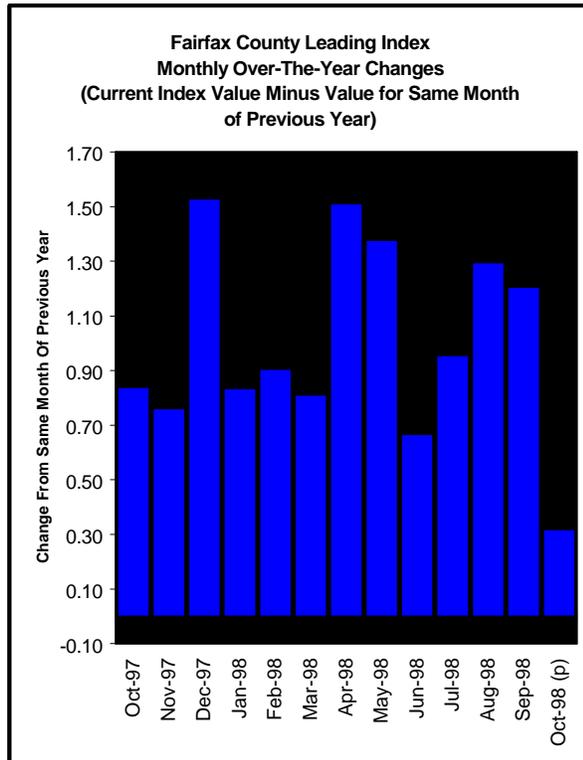
- Transient Occupancy Tax collections decreased for the fifth consecutive month; and
- Consumer confidence declined for the second time in the last three months; while
- Total employment registered a strong gain extending its upward trend to a fourth month; and
- Sales Tax receipts had their largest one month increase since March.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, was 104.74 in October, down 0.54 percent from



Source: GMU Center for Regional Analysis.

September. October's decline in the Index was its sixth in ten months. Still, the Index has gained 0.78 percent over this period on the strength of April's strong performance. Excluding this large one-month gain, the Leading Index has been trending slightly negative over the year pointing to the economy's likely deceleration in the fourth



Source: GMU Center for Regional Analysis.

quarter and continuing into 1999. In October, four of the Index's five components contributed to its decline.

- New automobile registrations declined for the second time in three months and for the seventh time in the year's first ten months;
- Initial claims for unemployment insurance increased (worsened) slightly for a second month;
- Consumer expectations (confidence six months hence) decreased for the second month in a row; and
- The mean value of residential building permits decreased after increasing for two months; while
- Residential building permits increased sharply after declining for two months.

The Fairfax County economy remains strong but is showing signs of softening. While it continues to generate high levels of new jobs and consumer spending, its leading indicators are pointing to slower future growth.

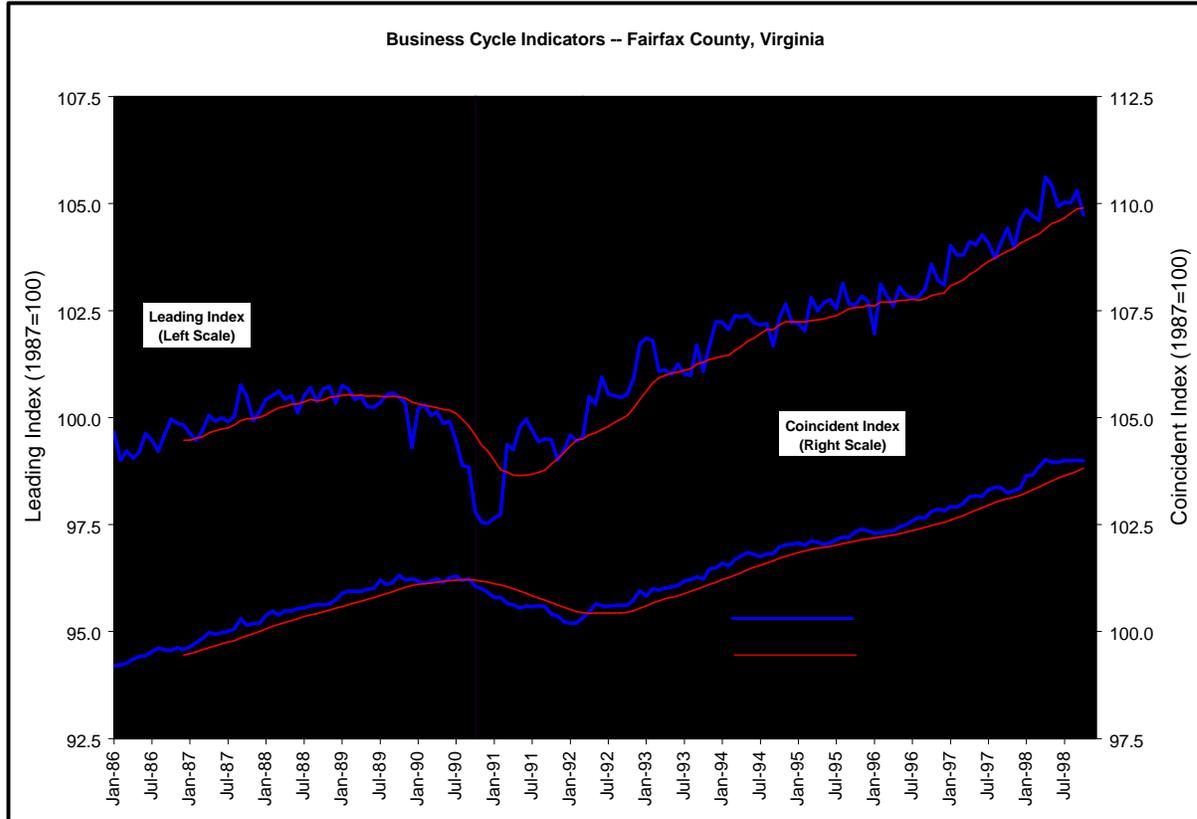
CURRENT CONDITIONS

In spite of a slight decline in its overall performance, as measured by the Coincident Index, the Fairfax County economy continued to generate a substantial level of employment growth. For the twelve-month period ending in October, it added 22,956 new jobs for a 5.0 percent increase. This is the second month in a row in which the annualized job growth rate was 5 percent or higher. This job gain represented 35 percent of the job growth for the entire Washington metropolitan area.

With this continuing strong job growth, the labor market remained very tight. Unemployment declined to 1.7 percent from its 2.1 percent level in October 1997 and the labor force increase of 2 percent was well below the level required to fill the new jobs the economy is generating. However, initial claims for unemployment insurance have increased in both September and October pointing to a slight softening of the labor market.

Consumer confidence dropped for a second time since peaking in July in response to growing uncertainty in international economic conditions and financial markets. This trend would normally be paralleled by slower consumer spending but retail sales in October were up 9 percent in Fairfax County, a gain substantially exceeding the 6 percent increase in retail sales nationally. October's strong retail sales reflect the resilience of consumers as well as continued growth in their real disposable incomes.

Consumer spending is key to the fourth quarter's performance and, with October's strong gain, retail sales may end the year on an upward trend. However, year-to-date, the County's retail sales, on an inflation and seasonally adjusted



Source: GMU Center for Regional Analysis.

basis, have grown just 0.3 percent and are well off the national pace of 4.6 percent.

NEAR-TERM OUTLOOK

The Fairfax County economy cannot sustain an increasing rate of growth indefinitely. Job growth has exceeded locally available labor resources throughout the seven-year expansion and consumer spending has continued to grow as well. With the Leading Index slowly trending lower, the economy is likely to decelerate over the coming several quarters bringing its growth rate to a more sustainable level.

This slowing does not reflect a structural problem or any specific or fundamental weakness in the economy. Rather, it reflects the results of cyclical dynamics as consumers regroup and pay

down some of their revolving debt and the economy adjusts to changing levels of demand and costs of production.

The Fairfax County economy has outperformed its growth forecast in 1998, generating the highest levels of jobs and total output (gross county product) of the decade. The forecast for 1999 points to slower growth in jobs and output. However, even these slower rates will considerably exceed growth at the national and metropolitan levels.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Oct-98 Prelim.	Sep-98 Final	Oct-97 Final	Sep-98 to Oct-98	Oct-97 to Oct-98
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.99	104.00	103.24	-0.02	0.73
Leading Index (1987 = 100)	104.74	105.30	104.42	-0.54	0.31
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	482,927	480,158	459,971	0.58	4.99
<i>Total Covered Employment (Unadjusted)</i>	<i>481,435</i>	<i>481,531</i>	<i>458,550</i>	<i>-0.02</i>	<i>4.99</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	293.7	318.1	228.6	-7.68	28.48
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>483.4</i>	<i>484.1</i>	<i>359.0</i>	<i>-0.15</i>	<i>34.66</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,050.8	7,381.0	8,023.8	9.08	0.34
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,918.5</i>	<i>8,941.3</i>	<i>9,041.0</i>	<i>-0.26</i>	<i>-1.36</i>
South Atlantic Consumer Confidence	174.3	178.9	162.4	-2.57	7.33
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,357	6,307	6,158	-15.06	-13.01
<i>Automobile Registrations (Unadjusted)</i>	<i>5,155</i>	<i>7,172</i>	<i>5,926</i>	<i>-28.12</i>	<i>-13.01</i>
Initial Unemployment Claims (Seasonally Adjusted)	714	711	943	0.53	-24.22
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>657</i>	<i>595</i>	<i>867</i>	<i>10.42</i>	<i>-24.22</i>
South Atlantic Consumer Expectations	96.7	105.0	115.5	-7.90	-16.28
Residential Building Permits (Number of Units, Seasonally Adjusted)	828	501	465	65.33	78.02
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>899</i>	<i>537</i>	<i>505</i>	<i>67.41</i>	<i>78.02</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	55,980	86,174	78,026	-35.04	-28.25
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>76,444</i>	<i>113,734</i>	<i>101,563</i>	<i>-32.79</i>	<i>-24.73</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	546,655	547,143	536,056	-0.09	1.98
<i>Total Labor Force (Unadjusted)</i>	<i>541,877</i>	<i>543,204</i>	<i>531,371</i>	<i>-0.24</i>	<i>1.98</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.70	1.76	2.05	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.71</i>	<i>1.90</i>	<i>2.06</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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